



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS WORKERS' COMPENSATION COMMISSION**  
**SELF-INSURERS SECURITY FUND**

**Financial Audit**  
**For the Year Ended June 30, 2024**

**Release Date: February 20, 2025**

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2020	<b>24-01</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 2</b>							

**INTRODUCTION**

This digest covers the financial audit of the Illinois Workers' Compensation Commission (Commission) - Self-Insurers Security Fund as of and for the year ended June 30, 2024, and the finding arising from the financial audit reported pursuant to Government Auditing Standards.

**SYNOPSIS**

- **(24-01)** The Commission did not ensure all events and transactions impacting the Self-Insurers Security Fund were appropriately recorded in its internal accounting records and presented fairly in its financial statements.

**EMPHASIS OF MATTER**

As discussed in Note 13 to the financial statements, the Self-Insurers Security Fund has a total net position (deficit) of (\$4,213,875) as of June 30, 2024. This deficit, which is presented on an accrual basis, is the excess of total liabilities and deferred inflows of resources over total assets and deferred outflows of resources. Management of the Commission stated that, subject to approval by the Self-Insurers Advisory Board established within the Commission, future assessments will be used to meet Fund's obligations in the future (Independent Auditor's Report on page 6 and Note 13 on page 44).

<b>Category 1:</b>	Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).
<b>Category 2:</b>	Findings that are <b>significant deficiencies</b> in internal control and <b>noncompliance</b> with State laws and regulations.
<b>Category 3:</b>	Findings that have <b>no internal control issues but are in noncompliance</b> with State laws and regulations.

**ILLINOIS WORKERS' COMPENSATION COMMISSION**  
**SELF-INSURERS SECURITY FUND**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2024**

<b>STATEMENT OF NET POSITION (DEFICIT)</b>	<b>2024</b>	<b>2023</b>
<b>Assets and Deferred Outflows of Resources</b>		
Restricted Cash Equity in the State Treasury.....	\$ 20,372,457	\$ 19,485,957
Restricted Cash and Cash on Hand.....	86,858	97,662
Restricted Assessments Receivable.....	24,173	18,733
Restricted Application and Renewal Receivable.....	51,000	92,500
Restricted Accrued Interest Receivable.....	78,273	70,378
Restricted Excess Insurance Receivable.....	128,822	133,892
Securities Lending Collateral Equity with the State Treasurer.....	4,034,619	3,512,458
Prepaid Benefits with the Third-Party Administrator.....	49,869	9,148
Due from Other Funds.....	4,970	-
Deferred Outflow of Resources - Pension and OPEB.....	2,965,084	1,834,740
Total Assets and Deferred Outflows of Resources.....	<u>\$ 27,796,125</u>	<u>\$ 25,255,468</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Accounts Payable and Accrued Liabilities.....	\$ 41,876	\$ 31,785
Compensated Absences.....	74,238	49,556
Obligations Under Securities Lending of the State Treasurer.....	4,034,619	3,512,458
Security Deposits.....	693,155	693,155
Unearned Security Deposits.....	17,401,565	17,668,117
Unpaid Claims.....	3,113,768	3,893,864
Net Pension Liability.....	2,449,488	2,425,262
Net OPEB Liability.....	912,800	836,930
Deferred Inflow of Resources - Pension and OPEB.....	3,288,491	2,537,495
Total Liabilities and Deferred Inflows of Resources.....	<u>\$ 32,010,000</u>	<u>\$ 31,648,622</u>
<b>Net Position (Deficit)</b>		
Total Net Position (Deficit).....	<u>\$ (4,213,875)</u>	<u>\$ (6,393,154)</u>

<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)</b>	<b>2024</b>	<b>2023</b>
<b>Operating Revenues</b>		
Total Operating Revenues.....	\$ 1,470,474	\$ 1,494,648
<b>Operating Expenses</b>		
Total Operating Expenses.....	202,591	2,671,264
<b>Operating Gain/(Loss).</b>	1,267,883	(1,176,616)
<b>Nonoperating Revenues</b>		
Total Nonoperating Revenues.....	911,396	226,331
Change in Net Position (Deficit).....	<u>2,179,279</u>	<u>(950,285)</u>
Net Position (Deficit), Beginning of Year.....	<u>(6,393,154)</u>	<u>(5,442,869)</u>
Net Position (Deficit), End of the Year.....	<u>\$ (4,213,875)</u>	<u>\$ (6,393,154)</u>

<b>COMMISSION CHAIR</b>
During Audit Period and Currently: Mr. Michael Brennan

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**ACCOUNTING AND FINANCIAL REPORTING  
PROBLEMS**

The Illinois Workers' Compensation Commission (Commission) did not ensure all events and transactions impacting the Self-Insurers Security Fund (Fund 940) were appropriately recorded in its internal accounting records and presented fairly in its financial statements.

During testing, we noted the following:

- Various errors resulted in misstatement in accounts up to \$100,080**

  - The Commission improperly deducted the advances made to the third-party administrator, amounting to \$100,000, resulting in an understatement of the prepaid third-party administrator claims account by \$200,000. In addition, a \$80 refund collected by the third-party administrator was incorrectly recorded to unearned security deposits instead of recording the transaction to unpaid claims. These errors ultimately resulted in an overstatement of the benefits claims account by \$100,080 and an understatement of the unearned security deposits account by \$99,920.
- \$95,642 in unaccounted claims adjuster fees**

  - The Commission had not accounted for \$95,642 claims adjuster fees charged against self-insured companies, resulting in an understatement of claims processing revenue and an overstatement of the unearned security deposits accounts.
- Failure to record journal entries for adjustments to financial statements**

  - The Commission had directly adjusted the financial statements provided to the auditors without recording journal entries to reflect the adjustments in the trial balance. These adjustments resulted in discrepancies in the unearned security deposits by \$4,269, unpaid claims by \$17,897, and compensated absences by \$22,166.
- \$2,750 discrepancy in excess insurance receivable account**

  - The Commission's supporting schedule for excess insurance receivable account had a discrepancy in the beginning balance of \$2,750. Five benefit payments totaling \$4,669 were not posted and a benefit payment of \$1,009 was posted twice.
- \$267 understatement of assessment and revenue accounts**

  - The Commission had not accounted for \$267 assessment receivable and revenue accounts, thereby, understating both assessment and revenue accounts.

We proposed, and the Commission posted, adjusting entries to correct these errors in Fund 940's final financial statements. (Finding 1, pages 51-53)

**Auditor’s Recommendation**

We recommended the Commission ensure all transactions and events impacting Fund 940 are recorded and reported in strict adherence with the generally accepted accounting principles applicable to Fund 940. Additionally, we recommended the Commission ensure an independent supervisory review by an individual with sufficient skills, knowledge, and experience to identify and correct errors is performed during the preparation of Fund 940’s supporting schedules, journal entries, and financial statements.

**Commission officials agree**

Commission officials agreed with our recommendation.

**AUDITOR’S OPINION**

The auditors stated the financial statements of the Self-Insurers Security Fund as of and for the year ended June 30, 2024, are fairly stated in all material respects.

This financial audit was conducted by Roth & Co., LLP.

**SIGNED ORIGINAL ON FILE**

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COURTNEY DZIERWA  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JGR